

## Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 EB-07 NSC-05 TRSE-00 SSO-00 AS-01  
USIE-00 INRE-00 NSCE-00 CIAE-00 DODE-00 PM-04  
H-01 INR-07 L-03 NSAE-00 PA-01 PRS-01 SP-02  
SS-15 AID-05 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04  
EPG-02 SIL-01 OMB-01 /078 R

DRAFTED BY EA:EHHEGINBOTHAM:EH

APPROVED BY E:MR. COOPER

EB:PBOEKER (CLEARED IN DRAFT)

NSC:RHORMATS (CLEARED IN DRAFT)

NSC:MARMACOST (CLEARED IN DRAFT)

NSC:HOWEN (CLEARED IN DRAFT)

TREASURY:MR. BERGSTEN

S/S-O:JETHYDEN

-----034261 020234Z /75

O 020152Z JUL 77 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO NIACT IMMEDIATE

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E.O. 11652: N/A

TAGS: PGOV, ECON, JA

SUBJECT: US-JAPAN BILATERAL SUB-CABINET CONSULTATIONS

1. PER OUR PREVIOUS DISCUSSIONS WITH ECONOMIC MINISTER  
BUTTON, THE FOLLOWING IS A DIPLOMATIC NOTE WHICH SHOULD  
BE DELIVERED TO THE MINISTRY OF FOREIGN AFFAIRS WHEN  
APPROPRIATE.

2. BEGIN TEXT: THE EMBASSY OF THE UNITED STATES PAYS ITS  
RESPECTS TO THE MINISTRY OF FOREIGN AFFAIRS OF JAPAN AND  
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REFERS TO THE RECENT MEETING IN TOKYO BETWEEN TREASURY  
SECRETARY MICHAEL BLUMENTHAL AND FINANCE MINISTER HIDEO  
BO. DURING THEIR TALKS THE SECRETARY SUGGESTED AND FINANCE  
MINISTER BO RESPONDED FAVORABLY TO THE IDEA OF RESTRICTED  
BILATERAL SUB-CABINET LEVEL MEETINGS BETWEEN THE UNITED  
STATES AND JAPAN TO DISCUSS ECONOMIC MATTERS OF MUTUAL  
CONCERN. IN PURSUIT OF THE GOALS ESTABLISHED AT THE LONDON

SUMMIT CONFERENCE AND RECONFIRMED BY OECD MINISTERS FOR IMPROVING COOPERATION AND COORDINATION IN RESTORING THE WORLD ECONOMY AND IN ACHIEVING HEALTHY GROWTH IN INTERNATIONAL TRADE, IT SEEMS DESIRABLE TO MAINTAIN CLOSE CONTACT IN ASSESSING PROGRESS TOWARD THESE GOALS. THE UNITED STATES AND JAPAN, ALONG WITH THE EUROPEAN COMMUNITY, HAVE

A SPECIAL INTEREST AND ROLE TO PLAY IN THIS RESPECT.

3. A SPECIAL CONCERN EXPRESSED BY BOTH OUR GOVERNMENTS RELATES TO DANGERS OF GROWING PROTECTIONIST SENTIMENT IN THE WORLD. WE BELIEVE IT IS OF CRUCIAL IMPORTANCE FOR OUR TWO GOVERNMENTS TO UNDERSTAND EACH OTHERS CAPABILITIES AND DIFFICULTIES IN DEALING WITH PROTECTIONIST PRESSURES, AND HOW WE CAN BEST COOPERATE WITH OTHER NATIONS TO DEAL EFFECTIVELY WITH THESE PRESSURES AS THEY ARISE. IMPROVED MUTUAL UNDERSTANDING IN THIS AREA, AND IN OTHER ASPECTS OF SUMMIT FOLLOW-UP, MIGHT BEST BE ACHIEVED BY A PAIR OF SUB-CABINET LEVEL MEETINGS, ONE IN EACH OF OUR TWO COUNTRIES.

4. WE WOULD PROPOSE THE FOLLOWING AGENDA ITEMS FOR THE FIRST MEETING:

(1) BALANCE OF PAYMENTS OUTLOOK FOR THE US AND JAPAN 1977-78.

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(2) TRADE, PAYMENTS AND FINANCIAL POLICIES

A. EXCHANGE RATE AND CAPITAL ACCOUNT MANAGEMENT  
POLICY, INCLUDING AID AND INTERNATIONAL  
FINANCING OPERATIONS.

B. IMPORT MARKET ACCESS, MTN AND GSP.

C. EXPORT MANAGEMENT, STRUCTURAL ADJUSTMENT AND  
SECTORAL PROBLEMS.

D. EXPORT FINANCE AND PROMOTION.

WE APPRECIATE INDICATIONS OF INCREASING JAPANESE RESPONSIVENESS IN THESE IMPORTANT MATTERS.

5. OUR OBJECTIVE FROM THESE MEETINGS IS TO DETERMINE WHETHER THERE ARE FURTHER SPECIFIC MEASURES WHICH BOTH OF OUR COUNTRIES OUGHT TO TAKE IN ORDER TO CONTRIBUTE TO A DEFUSING OF THE GROWING PROTECTIONIST TREND INTERNATIONALLY. WE WILL NOT BE CONCERNED WITH ISSUES OF BILATERAL BALANCE OR SECTORAL RESTRICTIONS BUT RATHER HOW BOTH OF

OUR COUNTRIES CONTRIBUTE TO THE STABILITY AND GROWTH OF  
THE INTERNATIONAL TRADE AND BALANCE OF PAYMENTS.

6. WITH REGARD TO TIMING, OUR TENTATIVE PREFERENCE

WOULD BE FOR THE WEEK OF SEPTEMBER

12. WE WOULD BE PREPARED TO SEE THE FIRST MEETING HELD

IN TOKYO IF THAT IS CONVENIENT FOR YOUR GOVERNMENT.

7. WE ENVISAGE THAT THIS FIRST BILATERAL CONSULTATION  
MIGHT BEGIN WITH A VERY LIMITED INITIAL MEETING INVOLVING  
THE MINISTRIES OF FOREIGN AFFAIRS, FINANCE AND MITI, AND  
BE FOLLOWED BY WHATEVER SINGLE AGENCY BILATERALS OR  
BROADENING OF PARTICIPATION IS DESIRED ON THE JAPANESE  
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SIDE. WE CONTEMPLATE THAT THIS FIRST CONSULTATION MIGHT  
CONTINUE OVER A TWO-DAY PERIOD.

8. FROM THE UNITED STATES, WE PROPOSE THAT UNDER  
SECRETARY FOR ECONOMIC AFFAIRS, RICHARD N. COOPER,  
ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, TREASURY,  
C. FRED BERGSTEN, DEPUTY ASSISTANT SECRETARY OF STATE  
FOR ECONOMIC AFFAIRS, EAST ASIA BUREAU, ERLAND H.  
HEGINBOTHAM, AND DEPUTY ASSISTANT SECRETARY, BUREAU OF  
ECONOMIC AFFAIRS, WILLIAM G. BARRACLOUGH, ASSISTED AS  
APPROPRIATE BY US EMBASSY WOULD CONSTITUTE THE US  
DELEGATION. DEPUTY STR ALAN WOLFF MAY ALSO PARTICIPATE.

9. WE WELCOME THE VIEWS OF THE GOVERNMENT OF JAPAN WITH  
RESPECT TO THE PROPOSALS SUGGESTED ABOVE. PARTICULARLY,  
WE WELCOME ANY EARLY INDICATION OF APPROPRIATE TIMING, SO  
THAT WE MIGHT BEGIN JOINTLY TO WORK OUT AGREEMENT ON OTHER  
PARTICULARS. END TEXT. CHRISTOPHER

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**Disposition Date:** 22 May 2009  
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